

CEO NEWS & VIEWS



Dear Colleagues:

I have always been a big fan of Netflix. I love the process of selecting a movie, anxiously awaiting the arrival of that little red and white envelope, watching a film in the comfort of my own home and then just dropping the DVD in the return envelope. How easy it made one of my favorite pastimes.

And then it all changed.

Over the past 18 months, I have been following the saga surrounding the series of strategic mistakes Netflix has been making. An article that appeared in last week's *Wall Street Journal* showed that building a great organization is hard, while making missteps that send a company plummeting can happen fairly easily.

Netflix CEO Reed Hastings, who Fortune Magazine named Businessperson of the Year only last November, has been apologizing for just about every announcement the company has made since, including announcing a \$1-\$3 per month price increase last November. That might not sound like much, but in this economy, it's not hard to understand why the move angered consumers.

But the mistakes didn't stop there. The strategic blunders continued when the company announced it was doing away with its original plan, which allowed customers to rent one DVD at a time and gain unlimited access to streaming movies for \$9.99 per month. Henceforth, customers will be charged \$7.99 per month to stream movies *and* \$7.99 to rent DVDs by mail one at a time. That's \$15.98 a month to access both services – a 60 percent price increase.

The company rationalized the move by explaining that the \$9.99 per month rate just wasn't supporting its growth. Well, growth is something Netflix won't have to worry about, at least for the time being. As of last Tuesday, its stock had plunged 35 percent; in a mere 104 days, the company's market value fell \$12 billion. More than 800,000 subscribers fled; to put that number in perspective, it's just slightly more than the number of outpatient visits we have annually.

Too Close for Comfort... So you may be asking yourself why I am discoursing about the company that put Blockbuster out of business. First, full disclosure: I am still a subscriber of Netflix, but only for DVDs. More importantly, the Netflix chronicle has really hit home for me because it has confirmed how even great companies are vulnerable, and how quickly they can fall.

There's no doubt about it: we are a successful organization with a positive balance sheet that has a record of creating jobs for our state and that is recognized by others for excellence and quality. But as a company like Netflix teaches us, there doesn't have to be one big thing that rocks you, but rather a series of smaller missteps that can have an equally devastating effect. The news has been filled with stories about companies with historically strong brands doing just plain stupid things.

Case in point: Bank of America deciding to add a \$5 monthly ATM fee – a decision it has had to back off of in the face of public outrage. But it's not just bad PR moves and foolish decisions that lead to bigger problems. I think it has more to do with forgetting your core values, not living your mission, and changing your vision to fit your needs of the day.

So while many continue to be supportive of the Netflix concept and believe the company will recover, the brand and the company's reputation have taken terrible hits. Like it or not, we consumers get attached to our brands, which feel like extensions of ourselves. When one of them suddenly changes direction, it's not just unsettling – it feels like a personal affront.

Jim Collins' book, *Good to Great*, published 10 years ago, provided terrific insight into what differentiates good companies from those that sustain longer-term success and greatness. In his new book, *Great by Choice*, Collins goes at greatness again by asking the question, "Why do some companies thrive in uncertainty, even chaos, and others do not?" He takes into consideration many of the same concepts about greatness but also looks at the volatile environment in which we now live and operate. In a recent online interview with a reporter from *Forbes Magazine*, Collins was asked, "After years of research for your book, what result surprised you the most?" I loved his reply! Most startling, he said, was "the mixture of creativity, discipline and paranoia needed to thrive." I could not agree more. The discipline and creativity our organization has exhibited over the years has been remarkable. If you are a Collins fan, you'll like this new one.

And, for those of you wondering, I have enough paranoia for the entire organization!

Stay the Steady Course... You may recall last summer when we announced our partnership with Poudre Valley, I implored each of you to keep doing the job in front of you and to avoid getting consumed with what the partnership would mean, look like, feel like. I made that request not to hold back any information, but because after being in this business longer than I care to admit, I know how easy it is to lose track of where we are and focus on the work at hand. And we have a lot of it – from Epic to the expansion project to preparations for the Joint Commission and everything in between.

We have to stay attentive to the road in front of us. I'll take care of the paranoia, but I ask that all of you keep the creative juices flowing and maintain the discipline that will allow us continue to be the number one hospital in Denver; maintain our number one national ranking for quality and safety; remain a Magnet hospital; have a successful Epic conversion; "wow" the Joint Commission when it visits later this year; and position ourselves to improve in all our areas.

Boo... It was another great Boo Bash – our sixth! As I went through my day sporting my "Full of Bologna" look, I was asked by several meeting participants from other organizations why I was dressed as a meat product! The simple answer is my true self was being exemplified to the public! But in all seriousness, I have said over and over I think it is vital that our culture include fun. We do have a lot on our plates and it's important to laugh with your co workers (or in the case of Boo Bash, laugh at them!). Thanks to everyone who participated!

The End of an Era... On Tuesday of this week, Denver Health CEO, Patty Gabow, announced her retirement from that position, effective September 1, 2012. Dr. Gabow joined Denver Health in 1973 and has served in a variety of roles. In the announcement Dr. Gabow said, "In each role I was

blessed to work with wonderful people and to be part of a noble mission. I have loved Denver Health as a true family. I believe in our mission and I am proud of all we have accomplished as a family.”

Dr. Gabow has worked tirelessly to provide care for those who are most in need in our community and we all owe her a debt of gratitude for her commitment and passion to this cause and for her many accomplishments.

Have a great week. Get winter-ready...judging by the view from my window, I think it's here to stay!

Bruce

Your feedback is important, so if there's something on your mind, write to me at talktome@uch.edu